

Good morning and thanks for having me. My name is Jim Beaubien and I have been a journeyman lineman with DTE Energy for over 30 years. I served as the Mayor of Gibraltar for 2 terms and served as president of Local 17 IBEW for almost 8 years. Some say I'm the only one who has testified before this committee in jeans, as I did a presentation about 10 to 12 years ago using 4,800 volts, our lowest primary voltage, which required me to wear fire retardant clothing. Today, I am here advocating on behalf of Local 17 IBEW. We are the ones that climb the poles and towers to build our distribution system and to keep it working. We also build wind turbines.

First, we advocate going to a fully regulated structure for electricity. No cap, because there is no choice! We are all in this together. The reasons for this position are many; let's take a look at the physics:

- Electricity flows at the speed of light, 186,000 miles per second. That's over 4 times around the world in one second.
- Electricity must be consumed the instant it's made.
- Generation of electricity must meet load or demand every second of every day.

- Electricity cannot be stored.
- Electricity takes the path of least resistance.
- In modern society we must have electricity.

Does that sound like a commodity that lends its self to a robust free-market? No it does not. We will always be captive to the physics of electricity.

I will not be using the terms “customer choice” and “electricity market” interchangeably, as they are not the same. The customer choice program we have today allows 10% of the savviest customers to buy electricity from another generation source, while the rest of us pay for their choice. The choice customers do not pay their fair share for generation like the rest of us in this state, and the transaction is on paper only. The choice customer is still receiving his electricity from the closest generation source. Electricity takes the path of least resistance. Physics trumps economics every time.

About 70 years ago, there was a job at every power plant where there was a dial and a gauge with a needle on it. The needle had to point straight up at all times within a very small parameter. That was the matching of generation verses load.

As the needle moved, it was someone's job to turn the dial, increasing or decreasing generation to match load, and that still holds true today; however, I'm sure it's all done by computer now. When a choice customer contracts for 100 megawatts of power that's what is delivered onto the grid. The 3rd party generator and the choice customer get a free ride, using the utilities to worry about matching the exact load and the rest of us to pay for it.

Just last month MISO, the Midwest Independent System Operator, which we are part of, testified before Congress that 247 units of coal generation will be effected by EPA regulations and that will shift more electricity to be produced by natural gas. In other words, they predict we will have to close some coal fired power plants, others will be retrofitted. And just last week at MISO's Markets Committee meeting, they stated their concerns about the Potential lack of investment in restructured states could result in overall supply shortages. And finally in a direct quote from the testimony of Clair J. Moeller Executive Vice President of Transmission & Technology, "MISO historically has had adequate capacity, announced and projected retirements of units within the footprint will remove most, if not all, of the excess reserves on the system."

So the question is who builds the next generation of power plants? The utilities under regulated rates, or do we let the market decide? What is the incentive for 3rd party electrical generators to flood the market with power and drive prices down? The big money is in scarcity in the market. High demand and low supply drives the price up every time unless your rates are regulated! The invisible hand of the market will never show up and correct prices because we have to buy electricity and there is no substitution!

We have been down this road before, we've seen over 20% of load shift to the marketers in this state, only to come running back to the Utilities when market prices rose above regulated rates. We have even seen independent power producers build natural gas power plants in this state; they went bankrupt when natural gas prices rose. Marketers come and go, investors in independent power plants came and went, and with the bankruptcies they experienced I don't believe investors in independent power plants will be back. But we are still here, the utilities, the co-ops, the municipals and their employees.

We operate under a time tested system of regulation that has worked for the past 100 years and will work in the future. We create and distribute a product that is unlike any other commodity.

I will wrap up my testimony with this. A week ago Monday I was on in my truck doing overhead line work, I got a call from the Local 17 business manager saying that we would have this opportunity to testify. Last Tuesday I attended my first committee hearing in 4 years and began researching my testimony and, quite frankly I'm a little shocked. The Midwest Independent System Operator which I consider a very neutral, 3rd party is worried about its reserve margin. They have identified 81 power plants that will be shut down as a result of not meeting air quality standards; Michigan has one of the oldest generating fleets in the nation. That tells me that we may shut down more than our fair share of coal fired power plants. We will be more dependent on natural gas to produce electricity which should drive up the price for natural gas. Supply is going to shrink and as the economy slowly comes back, demand for electricity is going to go up.

The electricity market has proven that it will respond to this type of situation, just look to California, the east coast, and New Jersey, to see the results.

We are going to need protection from the volatility in the electricity marketplace and that protection comes from fully regulated electric utilities.

And with that I Thank you for your time, and look forward to any questions you may have.

